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S E C R E T SECTION 01 OF 02 BRUSSELS 001459

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TAGS: [KTFN](#) [EFIN](#) [KNNP](#) [ETTC](#) [BE](#) [IR](#)
SUBJECT: BELGIAN BANK WILL LOOK INTO REPORTS OF ITS DOING
BUSINESS WITH IRAN

Classified By: POL/E Counselor Richard Eason, Reasons 1.4 (b) and (d).

11. (S/NF) SUMMARY: Belgian officials were receptive to Treasury U/S Levey's explanation of Iranian deceptive banking practices and guarded over any suggested implications of Belgium's KBC Bank in illicit Iranian financial transactions. KBC Bank showed surprise and dismay at the suggestion that it has supported substantial Iranian financial transactions. KBC's CEO promised to look into the reports immediately. In addition, U/S Levey stressed the importance of Belgium closely monitoring the activities of IRISL, the Islamic Republic of Iran Shipping Line, and describing the concept of engaging the insurance industry as a financial service captured under UNSCR 1737. He also urged the Belgians to use this as an opportunity to further activate the UNSCR 1737 committee which it chairs. The Belgians cautioned that the committee was highly political and it might be counterproductive to politicize it even further. However, they agreed that it was necessary to close any loopholes which the Iranians were currently using. END SUMMARY.

12. (C) On September 9, Under Secretary of the Treasury Stuart Levey met with a delegation at the Belgian MFA to discuss Iran sanctions and general efforts by Iran to circumvent those sanctions. Levey noted that these measures had begun to put pressure on influential segments of Iranian society and that European Union designations of Bank Melli and support for UNSCR 1803 had been very important steps. Levey also described the illicit conduct and deceptive practices of IRISL, stressing the need to closely monitor its actions as called for under UNSCR 1803. Levey added that insurance for IRISL is a starting point for expanding engagement to the insurance industry as another financial service prohibited by UNSCR 1737.

13. (C) The MFA's non-proliferation expert, Werner Bauwens, noted that the IAEA was not pleased with Iran's lack of cooperation. Bauwens expects another negative report on Iran to be delivered at the next IAEA Board of Governors meeting. Iran clearly threatens international peace and security and a number of countries are becoming more irritated with Iranian attitudes. Agreeing on the need to forge a consensus over Iran paying an economic price for its actions, Bauwens expressed concern that the Russia and Georgia crisis may set higher standards for another resolution in the UN Security Council. The challenge is to deepen sanction policy in coordination with the Security Council.

14. (C) Levey suggested that Belgium use its chairmanship of the UNSCR 1737 Committee to activate its approach to Iran, particularly since 1803 gives the committee the power to impose sanctions on entities identified by the committee as helping other designated entities avoid sanctions. Bauwens replied that the committee is highly political and it is important not to politicize it further. Bauwens believes that a productive approach would be to target specific Iranian activities and emphasize to the Iranians that their

economic growth potential remains limited without a significant change in behavior. The key is to close all loopholes under the current sanctions. He said that Belgium would advocate with its European partners the need to improve the process and that the French Presidency was also very supportive.

15. (S/NF) Levey presented information to the MFA, Finance Ministry and to the Belgian Banking, Finance and Insurance Commission suggesting KBC Bank continues to do significant business with Iran. The Belgian officials were unaware of the extent of the alleged Iranian financing flowing through KBC. Several officials thought the data may have reflected the closing out of Iranian positions by the bank. The information clearly surprised the top officials of the Banking Commission, and the head of the Commission (Servais) called KBC's CEO to make sure that he would attend KBC's meeting with Levey (NOTE. Previously, KBC Bank had not offered any bank management for the meeting with U/S Levey. There was only 45 minutes between the end of the meeting with the Commission and the beginning of the meeting with KBC bank. Servais made the call (unsolicited) after his meeting with Levey ended. END NOTE).

16. (S/NF) KBC CEO Andre Bergen was unexpectedly in attendance and clearly surprised by the information suggesting that large amounts of Iranian funds were passing through KBC. He welcomed any evidence or details the U.S. could provide. He explained such transactions were against bank policy and that the bank had been scaling down its Iran business regularly. He knew there were still some transfers, but mainly only on behalf of Belgian clients and only in the

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tens of thousands of dollars. "We have never had amounts like that," he added (NOTE. The dollar figure was apparently provided to Bergen by Belgium's bank regulator, Servais, during his phone call referenced above. U/S Levey did not confirm any particular dollar figure. END NOTE).

17. (S/NF) The discussion then centered on the possibility that funds might be flowing through the Iranian Central Bank account held at the bank, but flowing through in a way that the account balance remained stable. Bergen also promised to investigate whether the numbers might reflect transfers to correspondent bank accounts. Stopping such flows would be easy. It was also possible that rolling over accounts might generate some of the amounts in question.

18. (S/NF) KBC's Head of Compliance, Guido Segers, asserted that KBC does not distinguish between sanctioned and non-sanctioned Iranian banks and does not intentionally deal with any of them. Bergen said KBC had been scaling down its relations with Iranian banks over the years. KBC continues to be part of the Inter-Alpha bank group which has one representative in Iran, mainly tasked with recovering KBC assets there.

19. (S/NF) COMMENT: KBC promised to examine closely its accounts to look into the allegations. Levey agreed that Treasury would arrange a conference call with KBC in the near future to discuss the findings. (NOTE: In a follow up call with KBC, CEO Andre Bergen thanked Levey for the information and engagement, and noted that he had been unaware of the volume of business KBC was doing with Iran.)

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